

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Contact Person: [REDACTED]

Telephone Number: [REDACTED]

In Reference to: [REDACTED]

Date: [REDACTED]

DO: [REDACTED]

EIN: [REDACTED]

Dear Applicant:

This is in reply to your application for recognition of exemption under section 501(c)(6) of the Internal Revenue Code.

We have reviewed the information you have submitted and have concluded that you do not qualify for recognition of exemption under section 501(c)(6) of the Code.

You were established by the [REDACTED] which is located in [REDACTED]. You have the same directors as that organization and describe yourself as a representative office of that organization. The organization in [REDACTED] provided your initial funding through purchase of [REDACTED] percent of your stock. You are a membership organization open to any individual, organization or business enterprise interested in supporting international exchange of personnel. Your by laws indicate that your members are organizations interested in an exchange of professions in the fields of agriculture, commerce, culture, education, finance, industry, science and technology, medicine and public health, etc. You expect to be supported by the dues paid by your members and other contributions you may receive.

You were established to promote professional exchange and technical cooperation between the [REDACTED] and the United States. You arrange, manage and assist [REDACTED] professionals to contact domestic United States counterpart organizations and enterprises and obtain training in the United States from such businesses. Your activities include helping individuals to transfer funds to the United States and distribute these funds to trainees to cover their living expenses while in this country. You also assist [REDACTED] delegations in the United States by providing transportation and lodging and contacts with the various American business enterprises they wish to visit. In addition, you assist American citizens in obtaining employment positions in [REDACTED]. You do not charge fees for your services.

Section 501(c)(6) of the Code provides, in part, for the exemption from Federal income tax of business leagues, chambers of commerce, real-estate boards, and boards of trade, not organized for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Rev. Rul. 61-170, 1961-2 C.B. 112, holds that an association composed of professional private duty nurses and practical nurses which supports and operates a nurses' registry primarily to afford greater employment opportunities for its members is not entitled to exemption under section 501(c)(6) of the Code. Its primary purpose is the operation of a regular business of a kind ordinarily carried on for profit and is engaged in rendering particular services for individual persons rather than promoting the general business conditions of the nursing profession.

Rev. Rul. 68-264, 1968-1 C.B. 264, defines a particular service for the purposes of section 501(c)(6) of the Code as an activity that serves as a convenience or an economy to the members of the organization in the operation of their own businesses.

Rev. Rul. 73-411, 1973-2 C.B. 180, in denying exemption under section 501(c)(6) of the Code to a shopping center merchants' association, stated that in employing popular names in describing many of the organizations exempted under Subchapter F of the Code such as "business leagues" and "chambers of commerce" Congress is presumed to have had reference to organizations as they actually exist and are commonly known. Therefore a successful applicant for exemption must be shown to possess at least the essential characteristics of the class of organizations commonly known by such names. In the case of a chamber of commerce or similar organization, the common business interest is usually the general economic welfare of a community. Trade associations or business leagues are similar to chambers of commerce or boards of trade, except that they serve only the common business interests of the members of a single line of business or closely related lines of business within a single industry.

[REDACTED]

The information you have submitted indicates that you are the domestic representative of a [REDACTED] employment exchange program. It is unclear whether your parent is a government entity or an independent organization. Your primary activities appear to be similar to those of the nurses registry described in Rev. Rul. 61-170, supra. You assist [REDACTED] professionals in obtaining training with American companies, you assist [REDACTED] delegations during their visits in this country and you assist either Americans to find placement overseas or [REDACTED] companies or other [REDACTED] agencies to obtain American job seekers. Accordingly, your program appears to be similar to that of an employment agency.

An organization operating in a manner similar to a for profit business can not qualify for recognition of exemption under section 501(c)(6) of the Code. This is true regardless of whether a fee is charged for such services or not. Such organizations are providing particular services for their members or others in the sense that they relieve the member, business or individual, of having to establish employment or training relationships through their own resources. See the holding in Rev. Rul. 68-264, supra.

Similarly you are not operating in a manner similar to a board of trade or a chamber of commerce. Your members do not represent a single line of business and are not operating to relieve a common business problem or improve economic conditions in an area. Nor are you working to assist [REDACTED] and American businesses or professionals in solving the problems of working overseas. The sole common element your members have appears to be membership in your organization. Accordingly, you do not fall within the general definition of the organizations section 501(c)(6) of the Code was intended to encompass. See Rev. Rul. 73-411, supra.

In this letter we have not given consideration to whether you are only providing services to your members or that, because ownership is represented through shares of stock, your assets could be considered to have the potential of inuring to either your parent or a member who might purchase shares of stock.

Accordingly, we have concluded that you do not qualify for recognition of exemption under section 501(c)(6) of the Code. You are required to file Federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is

[REDACTED]

[REDACTED]

submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status or the filing of tax returns should be addressed to that office.

When submitting additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following symbols on the envelope: E:EO:T:R:2 JIJ, Room 6541. These symbols do not refer to your case but rather to its location.

Sincerely yours,

[REDACTED]

Chief, Exempt Organizations

[REDACTED]

cc

[REDACTED]

[REDACTED]

[REDACTED]